MOHELA
Missouri Higher Education Loan Authority

Federal Student Loan Interest Rates

July 1, 2003 - June 30, 2004

Stafford *In-school, grace and deferment* **2.82%**

Stafford *in Repayment* **3.42%**

With MOHELA's Rate Relief^{sm} and
Missouri Guarantee **0.92%**

PLUS **4.22%**

With MOHELA's Rate Relief^{sm} and
Missouri Guarantee **1.72%**

Stafford or PLUS

With MOHELA's Carnahan Public
Service Benefit **3.25%**

And MOHELA's *Rate Relief^{sm} and*
Missouri Guarantee **0.75%**

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MOHELA reserves the right to modify, expand, or discontinue these programs at any time without notice. Rates are applicable to loans first disbursed between 7/1/1998 to 6/30/2004 and are reviewed annually on July 1**.** ***Rate Relief^{sm}*** and Public Service Benefits are offered exclusively by MOHELA Lender-Partners and are available to all borrowers in repayment whose loans are owned by MOHELA and serviced at our Chesterfield, MO servicing center. These benefits are not applicable to loans placed in Consolidation. These benefits are not applicable to payment, but rather reduces the interest rate and results in more dollars being applied to the principal of the loan. MOHELA reserves the right to discontinue offering ***Rate Relief^{sm}*** benefits to any borrower whose account becomes more than 29 days delinquent or in the event an auto-debit is terminated for any reason. Loans guaranteed by guarantors other than the Missouri state guarantee agency may qualify for a reduced level of ***Rate Relief^{sm}***.

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Partners providing Missourians with the lowest cost education loans available in the industry.

ANNOUNCEMENT

MOHELA and the Missouri Department of Higher Education are pleased to announce 3% Rate Relief! Effective upon the completion of required programming[1], qualifying borrowers who participate in Rate Relief will receive a 3% interest rate reduction. Specifically, borrowers who attend a Missouri school, utilize a MOHELA Lender, and utilize the MDHE guarantee will be eligible for 3% Rate Relief[2].

MOHELA will continue to offer other lower levels of Rate Relief for loans made to borrowers attending a school outside of Missouri or utilizing a guarantor other than the MDHE.

Example Monthly Savings for Participants

Balance	*Monthly Interest Savings*
$5,000	$12.50
$10,000	$25.00
$20,000	$50.00
$30,000	$75.00
$40,000	$100.00
$50,000	$125.00
$60,000	$150.00
$70,000	$175.00
$80,000	$200.00

MOHELA reserves the right to modify, expand, or discontinue its borrower benefit programs, including Rate Relief, at any time without notice. Rate Relief applies to Stafford and PLUS Loans and is available to all borrowers in repayment whose loans are owned by MOHELA and serviced at our Chesterfield, MO servicing center. Please review the Rate Relief Brochure for additional details. In no case will a borrower's interest rate be reduced below .25%.

[1] Programming is tentatively anticipated to be completed by October 1, 2004.

[2] Borrower must make monthly payments via auto debit and their loan must be owned and serviced by MOHELA in our Chesterfield offices. Please refer to the Rate Relief brochure for additional details and qualifications.

Missouri Advantage Repayment Incentive Option (MARIO) for High Demand Occupational Fields

Administered and Funded by:
The Missouri Department of Higher Education
and
The Missouri Higher Education Loan Authority

The Missouri Advantage Repayment Incentive Option (MARIO) is designed to encourage Missouri’s higher education students to pursue fields of study leading to employment with Missouri businesses and industries in high-demand occupational fields. These fields include biomedical/biotechnical, advanced manufacturing, and computer related (information technology) fields.

The Missouri Advantage Repayment Incentive Option is a student loan forgiveness program that is designed to address Missouri’s workforce needs.

How will Employees qualify for MARIO?
To qualify for MARIO, you must meet the following eligibility criteria:

- You must have outstanding student loans borrowed on or after January 1, 2004, owned by MOHELA and guaranteed by MDHE.
- You must be a Missouri resident and a United States citizen or eligible non-citizen.
- You must be employed in a designated high-demand occupation, working in Missouri. Your employer will be required to complete a brief questionnaire and certification form, certifying that you are employed in a field related to biomedical/biotechnical, advanced manufacturing, or a computer related field. The MARIO application review committee will make the final determination on your qualification.

How much loan forgiveness can applicants receive?
Qualifying borrowers may receive up to $2,500 in loan forgiveness per calendar year, with a maximum loan forgiveness of $10,000, subject to program funding. MDHE and MOHELA reserve the right to adjust maximum annual awards based on the availability of funds.

How can an employee apply for the MARIO Loan Forgiveness Program?

Applications will be available on-line at www.dhe.mo.gov or www.mohela.com on October 1, 2004 for loan forgiveness to be awarded in the calendar year 2005. The calendar year 2005 will be the first year for which MARIO loan forgiveness is granted. Applications will be processed on a first come, first serve basis and must be postmarked on or before April 15th of the application award year. Only complete applications with employer certifications will be given consideration. Loan forgiveness will be applied to the loans for qualified applicants before September 30th of each calendar year.

How much money is available for MARIO?

MDHE and MOHELA have initially pledged a minimum of $18 million towards funding MARIO for calendar years 2005 through 2010, with a maximum annual funding of $3 million. Funds are available on a first come, first serve basis and are subject to change depending upon certain economic conditions and other business related factors.

What is the source of the funding for MARIO?

Funding for MARIO will come primarily from MOHELA's previously accrued arbitrage rebate liability reserves. This money has already been reserved and is available to fund interest rate reduction programs and loan forgiveness programs. In addition, some funding may come directly from MOHELA's retained earnings or MOHELA's annual general operating budget.

Operational Details:

MARIO will be administered by a joint committee of MOHELA employees appointed by the MOHELA's Executive Director and MDHE employees appointed by the Commissioner for Higher Education. MOHELA will employ one full time employee to serve as the Administrator of the MARIO program. The Committee will develop and refine the MARIO application and program rules & procedures. The Committee will provide a quarterly report to the MDHE and MOHELA Boards of Directors. From time to time, MOHELA and MDHE may be required to provide additional administrative resources to support the MARIO program during peak periods. All committee expenses and related program expenses including postage, stationary, printed forms and general office supplies will be funded by MOHELA's general operating budget.

How will MARIO and other Borrower Benefit Programs be Funded in the Future:

For twenty one years, the Missouri Department of Economic Development has allocated a portion of the States annual tax exempt revenue bond cap to the Missouri Higher Education Loan Authority. Tax exempt revenue bonds have made it possible for MOHELA and MDHE to offer Missouri's student and parent borrowers the lowest interest rates for student loans in the nation. In addition, MOHELA and MDHE borrowers have benefited from a variety of multi million dollar loan forgiveness programs including recent programs for Missouri's teachers, peace officers, and military personnel. Previously committed tax exempt cap has resulted in the generation of sufficient reserves to fund MOHELA's and MDHE's various interest rate reduction and loan forgiveness programs including the proposed funding for MARIO through 2010. However, these reserve funds must continue to be replenished for Missouri's next generation of interest rate reduction and loan forgiveness programs. This can only be accomplished if the Department of Economic Development continues to provide tax exempt cap on an annual basis.

MOHELA currently has an application before the Director of the Missouri Department of Economic Development requesting $200 million in tax exempt cap for calendar year 2003. If approved, MOHELA and MDHE management are confident the excess reserves generated by the requested cap allocation will continue to replenish funds available for continued funding of MARIO, and many other interest rate reduction and loan forgiveness programs administered by MDHE and MOHELA.

More specifically, approval of $200 million in tax exempt revenue bonds for MOHELA can reasonably be expected to generate approximately $3 million in average excess yield annually through 2010[3]. Excess yield is considered to be any revenue exceeding expenses. Excess yield is retained by MOHELA in the form of both retained earnings and arbitrage rebate

[3] MOHELA generally realizes an overall return on loans of approximately 1.5% for loans financed via tax exempt revenue bonds. Excess yield realized by MOHELA is retained either as retained earnings or is reserved in an arbitrage rebate liability fund. Both retained earnings and arbitrage rebate liability funds are available to fund interest rate reduction and loan forgiveness programs, including the proposed MARIO program.

liability. Exact excess yield will be determined by current economic conditions, the competitive environment and more importantly by regulatory decisions made from time to time by the federal government including the anticipated 2005 reauthorization of the Higher Education Act[4].

[4] The Higher Education Act of 1964 is anticipated to be reauthorized by the federal government in 2005. Such a reauthorization typically includes additional yield reductions for loan holders and additional servicing requirements, etc.. As a result, it is difficult to accurately predict future excess yield results.